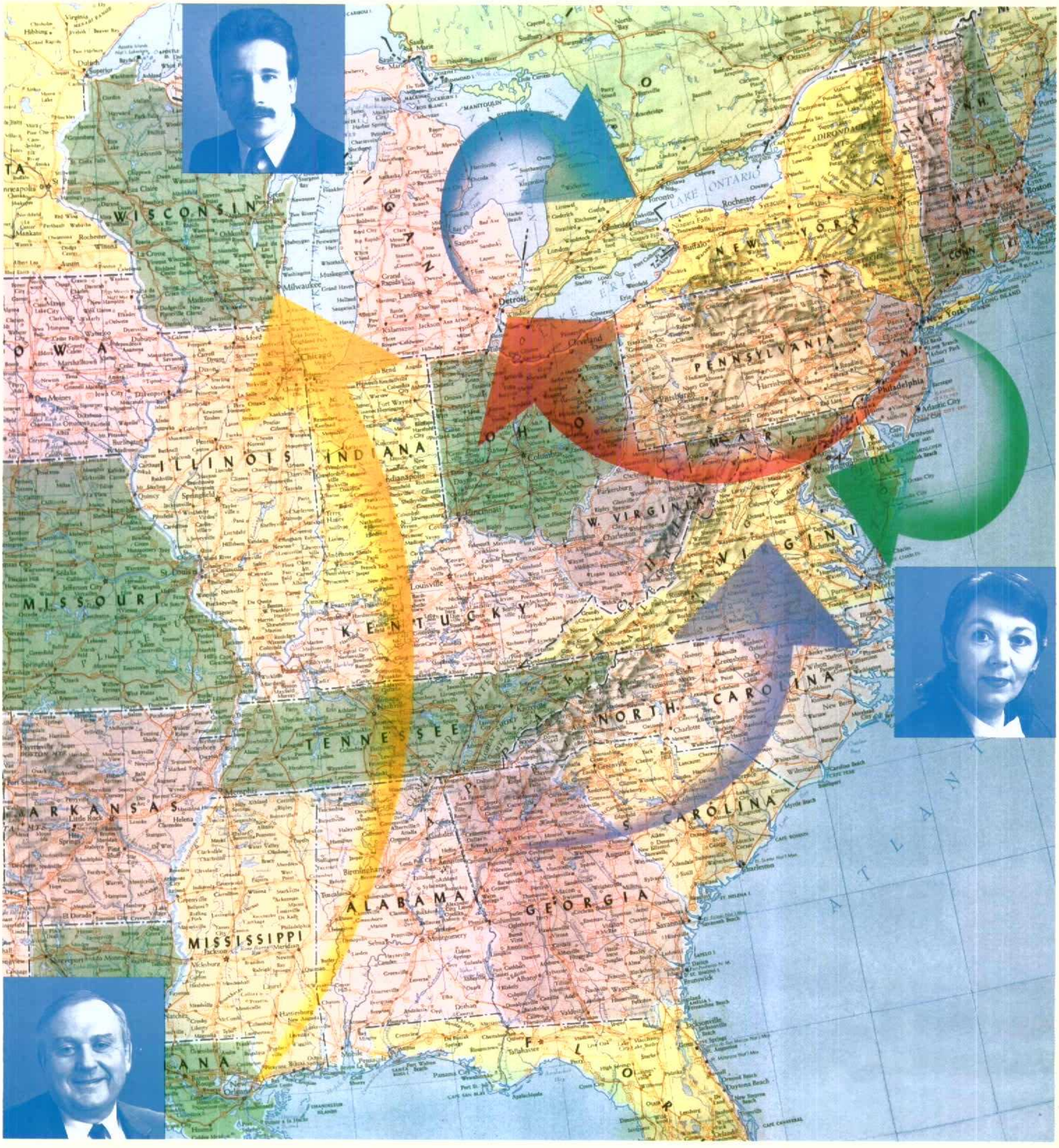
THE GREAT ATLANTIC & PACIFIC TEA COMPANY, INC.

ANNUAL REPORT 1990



CROSS FERTILIZATION: NURTURING GROWTH IN THE 1990s

COMPARATIVE HIGHLIGHTS

The Great Atlantic & Pacific Tea Company, Inc.

(Dollars in thousands, except per share figures)	**Fiscal 1990**	Fiscal 1989	Fiscal 1988
Sales	**$11,390,943**	$11,147,997	$10,067,776
Net income	**150,954**	146,698	127,582
Net income per share	**3.95**	3.84	3.34
Cash dividends per share	**.775**	.675	.575
Expenditures for property	**276,419**	218,825	176,148
Working capital	**116,251**	80,181	90,637
Current ratio	**1.11**	1.08	1.09
Shareholders' equity	**1,221,270**	1,092,164	970,843
Book value per share	**31.96**	28.59	25.42
Number of stores at year end	**1,275**	1,215	1,241

COMPANY PROFILE

The Great Atlantic & Pacific Tea Company, Inc. based in Montvale, New Jersey, operates conventional supermarkets and larger superstores in 23 U.S. states, the District of Columbia and Ontario, Canada, under the A&P, Waldbaum's, Food Emporium, Super Fresh, Farmer Jack, Kohl's, Dominion and Miracle Food Mart trade names. As of the fiscal year ended February 23, 1991, the Company operated a total of 1,275 stores. Through its Compass Foods subsidiary, the Company also manufactures and distributes a line of coffees under the Eight O'Clock, Bokar and Royale labels, both for sale through its own stores, and by other companies outside A&P's trading areas.

ABOUT THE COVER

While fulfilling basic needs, contemporary food retailing is anything but static. As the speed of societal and lifestyle change has increased, so has A&P's need to parlay the strengths of both the larger corporation and the local entrepreneur; to exercise firm overall direction yet permit the exchange of fertile ideas across regional boundaries, to nurture growth in the '90s.

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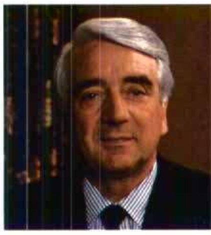
A&P again achieved record sales and earnings in fiscal 1990, although results were affected by adverse economic conditions in most of the Company's major trading areas in the U.S. and particularly Canada.

For the fiscal year ended February 23, 1991, net income rose to $151.0 million or $3.95 per share from $146.7 million or $3.84 per share in the year ended February 24, 1990. Sales were $11.4 billion, compared with $11.1 billion in the prior year.

After a positive first half, results from midyear onward reflected the recessionary conditions that gripped Ontario, Canada as well as the northeastern, middle Atlantic and midwestern areas of the U.S.–the areas of A&P's greatest concentration. Cautious consumer spending, and the promotional investment required on our part to protect market share, impacted both sales and earnings during the latter part of the year, and those conditions continue into 1991.

The successful acquisition of the 70 Miracle Food Mart stores during fiscal 1990 further increased A&P Canada's leading market share in Ontario while enhancing our store format diversity and sales mix as well. While this expansion opportunity materialized at the outset of a difficult economic cycle, we believe the long range potential is excellent.



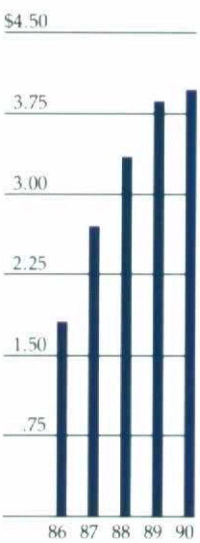
James Wood
Chairman of the Board, President and Chief Executive Officer

At present, the trading environment in Ontario remains adverse, with many consumers cross-border shopping to take advantage of lower prices in U.S. stores, and government opposition to Sunday openings continuing in the majority of our areas.

However with the addition of the Miracle Food Mart stores, which we expect to be fully integrated into our Canadian operation during the 1991 fiscal year, we have again improved our ability to cater to the changing

Ontario marketplace with a strong range of store formats and merchandising programs. We fully intend to protect our customer base in the present situation. As the Canadian economy improves, the combined A&P, Dominion and Miracle Food Mart operations will resume a solid, long-term growth trend.

Earnings per Share Before Extraordinary Credits
In Dollars

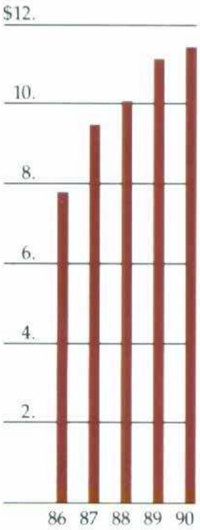


Construction and modernization of store facilities proceeded throughout the Company. In addition to ongoing development in the Metro New York, Canadian, Waldbaum's and Super Fresh Pennsylvania operations, fiscal 1990 saw the most significant investment in many years in the Northeast, Mid-Atlantic, Michigan and New Orleans groups.

Since 1982, A&P has acquired 530 supermarkets and superstores, constructed 180 and remodeled or expanded hundreds more, a cumulative investment of over $2 billion to date. This has elevated our average store size by 50% over the past decade, and increased our total selling space by more than 60%, while also producing a versatile range of retail formats that equal or surpass their competition in our major markets.

New store development will proceed at a somewhat slower pace in the coming year, reflecting the recent inability of developers to obtain financing for the shopping center locations we seek to acquire. Nevertheless we continue the pursuit of high potential locations, and expect to resume our previous development pace in the years ahead as the building industry regains its momentum.

Comparative Sales
Billions of Dollars



Another key strategic element is our new marketing direction, which resulted from the merging of the purchasing, merchandising and advertising functions at headquarters level. The corporate merchandising department is guiding the operating groups toward a more aggressive

profile in their marketing regions, complementing their reputation for outstanding perishables, service departments and overall store facilities. This strategy is being communicated to consumers through greater emphasis on high-impact television and radio advertising.

A major factor in our drive for sales progress will be the full deployment of our new central purchasing operation, which purchases national brand grocery products for the entire Company at Montvale headquarters. The leveraging of A&P's buying power will lower our total cost of goods appreciably–providing the flexibility to emphasize market share growth while maintaining strong margins and profitability.

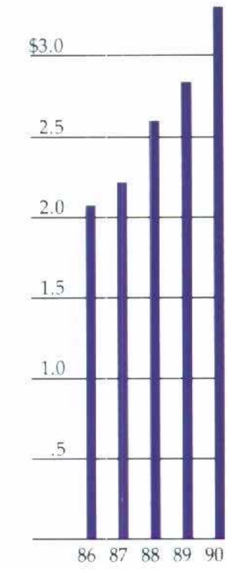
In summation, A&P's performance in fiscal 1990 demonstrated the Company's solid organizational, financial and retailing strengths.

We produced our highest sales and profit totals in history; improved our total store network substantially; and maintained solid market share leadership in Metro New York, our strongest and most profitable region, as we did in Ontario, Canada and Detroit, Michigan. In addition, our Southern and Southeastern regions, which have been hard pressed in recent times, posted improved results in the past year.

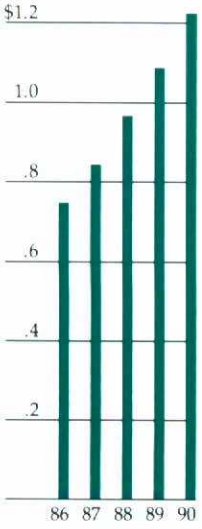
Economic forecasts for 1991 are uncertain but most indicate improved trading conditions in the latter part of the year. During this challenging period, we are taking appropriate actions to sustain our vitality and plan to emerge, poised for a new period of growth.

JAMES WOOD
Chairman of the Board, President and Chief Executive Officer

Total Assets
Billions of Dollars



Shareholders' Equity
Billions of Dollars



A&P employs a variety of techniques to reach today's time-pressed consumer with messages about our own services as well as specific product and price information. Along with traditional print ads, colorful direct mail distributions and high-impact radio and television spots, electronic technology is making point-of-sale promotion more dynamic. Standing below one of our digital LED aisle signs are Michael Larkin, Executive Vice President, Operations (left) and James Madden, Senior Vice President, Operations.*

▲
Andrew Fuchs
Vice President
Metro New York
Group

▲
Paul Gallant
President
Compass Foods

For a multi-regional organization the size and scope of A&P, successful marketing today requires a well-balanced retailing approach combining three critical attributes–a strong general direction from headquarters management, grass roots consumer familiarity at the local level, and the swift information and communication capability made possible by state of the art technology.

A&P's marketing team, headed by senior headquarters management, combines the talents of key purchasing, merchandising and advertising executives both at the corporate and regional operating group levels.

The meshing of these closely related functions, and the idea exchange among personnel from all territories, provide important synergistic benefits as well as clear-cut objectives and general corporate direction for group and subsidiary operations.

Yet our local advertising and store level merchandising–the critical points of contact with the consumer–will always reflect the uniqueness of our varied trading identities, under the A&P, Waldbaum's, Food Emporium, Super Fresh, Kohl's and Farmer Jack banners in the U.S., as well as A&P, Dominion and Miracle Food Mart in Ontario, Canada.

William Stewart
President
Southern Operations

The art and science of merchandising today is geared to our need to serve large cross-sections of consumers, yet not lose sight of the nature of the individual shopper; to respond to national and even global trends, without forgetting that regardless of our overall size, we remain essentially a local business.

But to serve and respond in that way, we must first be aware of market changes as they occur. More than ever before, front-end technology is providing A&P with instantaneous customer feedback, based on actual product movement through the checkouts. We now look to the ultimate step–the use of purchasing profiles to promote literally to the individual household, in essence moving from niche marketing to micro-marketing.

Building sales and market share through the '90s will require A&P to manage the complexities of large-scale retailing, while using all the tools and talent available to cater to the local customer.

C R O S S

F E R T I L I Z A T I O N : **BUYING AND MERCHANDISING**

One of the most important aspects of A&P's drive for volume and market share growth involves the critical first step in any retailer's marketing sequence–the purchasing function.

Based again on the synergistic combination of talent and technology, A&P is rapidly moving toward maximizing purchasing efficiency through the centralized procurement of major grocery merchandise categories.

In effect pooling the purchasing volume of A&P's geographic regions, which previously negotiated separately, the Company achieves better asset control and general inventory management; lowers the ultimate cost of goods through the system's greater efficiency and elimination of duplicate efforts, and qualifies us for the maximum promotional support offered by our vendors.

The purchase of merchandise in this manner is also reflected in the Company's monthly corporate ad circular now used by virtually all regional groups and divisions. This gives the local operations the cost basis to sell key grocery commodities more aggressively in their areas, while they continue to buy and market the popular products available from regional and local suppliers.

The integration of our purchasing and merchandising operations will ultimately include direct tie-in with our computerized space management system. Utilizing scanner-generated item movement data recorded at store level, the system generates departmental shelf sets or planograms to improve sales volume, gross profit or any of several objectives.

Coordinated, computer-assisted buying and merchandising will provide A&P with the cost structure to maintain competitive pricing and hard-hitting promotional programs throughout the Company–but also the flexibility to preserve regionality and critical response time on a market to market basis.

Key to our ongoing growth is the continued ability to provide the quality, convenience, variety and value demanded by consumers across all of our operating territories. The concerted efforts of those responsible for the purchase, distribution and sale of our products from headquarters on through to the store level are dedicated to that singular objective.

▲
Burton Weinbaum
President
A&P Northeast

▲
Craig Sturken
Chairman
A&P Tea Co., Ltd.
Canada

The cost effectiveness of centralized purchasing combined with the technical assistance of computerized space management via the use of the Spaceman/Stores system shown here, enables the A&P Family of Companies to respond to the varied needs of its regional consumer audiences. George Graham, Senior Vice President and Chief Merchandising Officer (standing) looks over a proposed merchandise configuration generated at the terminal by Scott Gehrke, Director of Pricing and Space Management.*

▲
Patricia Asta
Vice President
Training &
Development

The search for ways to make our stores increasingly convenient and enjoyable for customers, while at the same time improving operational efficiency, is an ongoing process at A&P. A possible application for the future is this experimental, self-service scanner-equipped checkout unit being tested in a New Jersey A&P. Dr. Ivan Szathmary, Senior Vice President and Chief Services Officer, gets a customer's point of view on the system.

▲
Robert Toomey
Vice President
Michigan Group

Given the manner in which our industry has evolved and expanded since the days of the corner grocery store, satisfying the customer is a far more complex undertaking than ever before.

To be sure, it still begins with the tried and true premise of offering customers the basics at the right prices. However, the dramatic increase in the value of the shopper's *time* in recent years has presented the supermarket operator with the challenge —and therefore the opportunity—to provide far more in the way of service.

Having shed the role as a mere distributor of commodities, A&P and its subsidiary companies are fully in the food service business. A high percentage of our stores feature extensive delicatessens with broad selections of hot and cold prepared foods plus catering service, and bakery departments combining the best elements of both counter and self-service configurations.

Such additional amenities as gourmet meats cut to order, fresh seafood, international cheese departments and floral and plant sections also offer high quality as well as convenience, further enhancing our one-stop shopping appeal.

Customers have also responded enthusiastically to the additional step-saving services and courtesies now offered in our stores, including the sale of money orders and postage stamps, Western Union money transfer service, and the acceptance of credit cards and availability of automated teller machines.

As in all other aspects of the business, rapidly developing technology continues to improve our ability to expedite the shopping trip.

State-of-the-art laser scanning systems are faster and more accurate than prior generation equipment, streamlining the checkout process while providing consumers with an itemized record of their transactions. And in a possible glimpse into the future, an automated self-service customer checkout system being tested in our South Plainfield, New Jersey A&P Sav-A-Center, pictured on the opposite page, has been heavily utilized and very well received by the store's patrons.

As customer needs continue to change, A&P stands ready to respond with new and creative ways of merchandising and operating our stores.

▲ *John Dunne*
President
A&P / Dominion-Canada

▲ *Kenneth Abrahams*
President
Waldbaum's Food Mart

Over the past nine years, the activities of A&P's retail design and development department have focused on converting the Company's store facilities from a chain of relatively small grocery outlets to a network of contemporary supermarkets and superstores.

Combined with the Company's six major strategic acquisitions over that time span–Waldbaum's and Food Emporium in the New York area; Farmer Jack in Detroit; Miracle Food Mart and Dominion Stores in Ontario, Canada, and Kohl's Food Stores in Wisconsin–those efforts have made our facilities among the most highly regarded in the industry.

This painstaking process has been far more than just massive building and buying. With the population having become increasingly regional and consumer demographics more segmented, management realized at the outset that chains such as A&P could no longer compete effectively in all territories with the same stores selling the same products, or even trading under the same name for that matter.

Consequently, our marketing and merchandising was re-focused to cater to the customer preferences within the regional operating groups we organized, each a company within a company in many ways. As a result, we began the decade of the 1980s with one significant trading identity, and we began the '90s with eight.

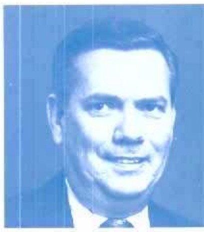
Finally, true "niche marketing" across geographic regions requires a portfolio of store formats that differ in size, product variety, service levels, pricing and shopping atmosphere.

A&P's store development team has produced just such a range of formats, which includes conventional "neighborhood" supermarkets, larger suburban superstores stressing either upscale or more price-oriented merchandising according to the location, and gourmet supermarkets for city centers and affluent suburban communities.

The ongoing modernization of our Company's store facilities–and fine-tuning of format prototypes–will provide the stage for innovative and profitable marketing through the 1990s.

▲
Stanley Lang
President
Waldbaum, Inc.

▲
Larry Zettle
President
Kohl's Inc.



A&P's leadership role in the field of diversified, regional food marketing has been the product of the industry's most extensive acquisition program, combined with the internal development of a versatile portfolio of store formats, each customized to address the needs and preferences of the local shopper. Shown here is Peter O'Gorman, Executive Vice President of Development, reviewing a new store blueprint with Ron Clarke of A&P's store design department.

▲
Donald Dobson
Vice President
New Orleans Group

The Company's solid financial condition is due in large measure to its thorough system of financial control and accountability. Committees comprised of key management personnel representing all critical functions meet regularly to review results and expenditures, oversee current activities and map long-term strategies. Shown at this Finance and Administration session are, standing, Fred Corrado, Executive Vice President, Chief Financial Officer and Treasurer, and Robert Ulrich, Senior Vice President and General Counsel.

▲
Mary Ellen Offer
Assistant
Corporate Secretary

Over the years, A&P has continually improved shareholder return by growing our share of the business through the marketing and development strategies described earlier, and by maintaining control over the business through the efforts of a strong financial management structure.

The key factors include:

- up-to-date management information systems, to provide time-critical information and increase the efficiency of the Company's administration;
- major emphasis on asset management, to maximize the strength of A&P's balance sheet, which remains one of the strongest in the industry;
- strong headquarters control over the budget process, capital expenditures, inventory levels and gross margin performance, maintained through the operation of A&P's unique management "sub-board" system.

The sub-board system provides a framework for strategic planning and performance review against budgeted objectives, covering all major corporate functions. Each of the six regional operating companies has its own chief executive and its own sub-board, which meets every four weeks to review the past month's performance, discuss current and future plans and other pertinent management issues. There are also headquarters-based sub-boards overseeing the important support functions, such as Purchasing, Merchandising and Advertising, Finance and Administration, and Warehousing and Distribution.

All of those committees are represented on the Management Executive Committee, which is headed by the Chairman, President and Chief Executive Officer, and which also convenes on a monthly basis.

This highly organized and disciplined approach has enabled management to maintain close financial and administrative control over A&P's wide-ranging organization, and provide a unified general direction for the Company.

In addition, it has been an invaluable aid in the integration of acquired operations into the organization, and generation of sufficient cash flow for A&P to fund its extensive store construction and remodeling program.

▲ *Michael Bozza*
President
Super Fresh
Pennsylvania

▲ *Earl Near*
President
Miracle Food Mart

Operating Results

▸ *Fiscal 1990 Compared with 1989*

Sales for fiscal 1990 were $11.4 billion reflecting a 2.2% increase over sales for fiscal 1989 of $11.1 billion. The sales increase is primarily the result of the October 1990 acquisition of 70 Miracle Food Mart stores, as well as the opening of 39 new stores and the remodeling of 101 existing stores during the year partially offset by the closing of 49 obsolete stores. Average weekly sales per store for the year increased 1.1% to $176,800 from $174,800.

Gross margin as a percent of sales of 27.7% increased 1.4% over the previous year resulting primarily from improvements in shrink control, changes in merchandise mix and increased buying allowances as a result of an aggressive purchasing policy and the continued expansion of the centralized purchasing program, including one-time purchasing benefits achieved during the integration of Miracle Food Mart into Canadian operations.

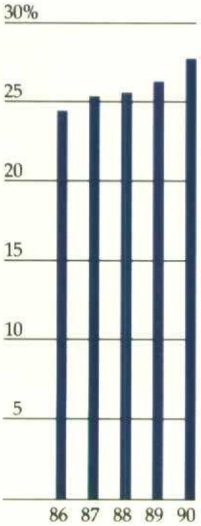
Store operating, general and administrative expense as a percent of sales was 24.7% compared to 23.6% during the prior year. The increased rate is due primarily to increased costs and expenses associated with store labor, store occupancy, employee benefits and expenses related to new stores opened during the year.

Interest expense increased over the previous year primarily due to higher outstanding borrowings resulting from the acquisition of Miracle Food Mart.

Lower income from the Company's investment in Isosceles and the repayment of the Newgateway Holdings loan resulted in a decrease in interest income from the previous year.

The Company's effective tax rate for fiscal 1990 was 42.5% compared to a 41.5% rate for the prior fiscal year primarily due to an increase in state income taxes.

Gross Margin
Percentage of Sales



▸ *Fiscal 1989 Compared with 1988*

Sales for fiscal 1989 were $11.1 billion reflecting a 10.7% increase over sales for fiscal 1988 of $10.1 billion. The sales increase was due to the opening of 18 new stores and the remodeling of 83 existing stores during the year partially offset by the closing of 44 obsolete stores with the most significant increase being realized by the full year effect of the Borman's acquisition. Average weekly sales per store for the year increased 6.4% to $174,800 from $164,300.

Gross margin as a percent of sales of 26.3% increased .6% over the previous year. The increase reflects aggressive containment and management of product costs through more centralized high-volume purchasing and a continued improvement in product mix offset, in part, by a LIFO charge of $8.4 million in 1989 compared to $2.0 million in 1988.

Store operating, general and administrative expense as a percent of sales was 23.6% compared to 23.0% during the prior year. The increased rate is due primarily to increased costs and expenses associated with store labor, employee benefits and store occupancy costs.

Interest expense increased over the previous year primarily due to borrowings related to the Company's loan to Newgateway Holdings, investment in Isosceles and borrowings related to the acquisition of Borman's, Inc.

Interest income increased over the previous year primarily due to interest income on the Company's loan to Newgateway Holdings.

The Company's effective tax rate for fiscal 1989 was 41.5% compared to a 43.0% rate for the prior fiscal year primarily due to a decrease in state income taxes.

▸ *Fiscal 1988 Compared with 1987*

Sales for fiscal 1988 were $10.1 billion reflecting a 5.6% increase over sales for fiscal 1987 of $9.5 billion. The increase in sales includes the January 1989 acquisition of 81 Borman's stores, a stronger Canadian exchange rate, the opening of 22 new stores and the remodeling of 76 existing stores during the year partially offset by the closing of 45 obsolete stores. Average weekly sales per store for the year increased 6.0% to $164,300 from $155,040.

Gross margin as a percent of sales of 25.7% increased .3% over the previous year. The increase reflects an improvement in product mix and aggressive containment and management of product costs.

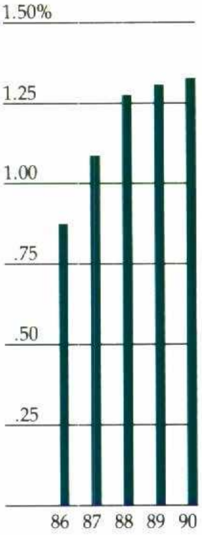
Store operating, general and administrative expense as a percent of sales was 23.0% compared to 22.9% during the prior year. The increased rate includes higher labor and employee benefit costs partially offset by a lower rate of store occupancy costs.

The decrease in interest expense reflects a reduction in borrowings from the prior year.

The Company's effective tax rate for fiscal 1988 was 43.0% compared to a 45.0% rate for the prior fiscal year primarily due to lower U.S. and Canadian statutory rates.

Return on Sales

(Net Income after Taxes, before Extraordinary Credits) Percentage



Liquidity and Capital Resources

The Company ended the fiscal year with working capital of $116 million compared with $80 million and $91 million at February 24, 1990 and February 25, 1989, respectively. The Company had cash and short-term investments aggregating $29 million at the end of fiscal 1990 compared to $35 million and $44 million at the end of fiscal 1989 and 1988, respectively. The Company also has in excess of $500 million in various available credit facilities.

During fiscal 1990, the Company financed its capital expenditures, debt repayments, cash dividends and the acquisition of Miracle Food Mart through internally generated funds supplemented by external borrowings. In January 1991, the Company issued a total of $300 million of fixed rate public bonds and applied the proceeds to repay variable interest rate borrowings. Combined U.S. bank and commercial paper borrowings decreased during the fiscal year from $151 million at February 24, 1990 to $141 million at February 23, 1991. Average outstanding U.S. bank and commercial paper borrowings during fiscal 1990 were $256 million at an average interest rate of 8.2%.

The Company's current cash resources, together with available credit facilities and income from operations, are sufficient for the Company's capital expenditure program, debt retirements and dividend payments in fiscal 1991.

STATEMENTS OF CONSOLIDATED OPERATIONS

The Great Atlantic & Pacific Tea Company, Inc.

(Dollars in thousands, except per share figures)	**Fiscal 1990**	Fiscal 1989	Fiscal 1988
Sales	**$11,390,943**	$11,147,997	$10,067,776
Cost of merchandise sold	**8,237,372**	8,211,263	7,481,373
Gross margin	**3,153,571**	2,936,734	2,586,403
Store operating, general and administrative expense	**(2,818,716)**	(2,628,621)	(2,319,044)
Income from operations	**334,855**	308,113	267,359
Interest expense	**(79,674)**	(73,474)	(48,535)
Interest income	**7,173**	16,159	4,958
Income before income taxes	**262,354**	250,798	223,782
Provision for income taxes	**(111,400)**	(104,100)	(96,200)
Net income	**$ 150,954**	$ 146,698	$ 127,582
Net income per share	**$ 3.95**	$ 3.84	$ 3.34

STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

The Great Atlantic & Pacific Tea Company, Inc.

(Dollars in thousands)	**Fiscal 1990**	Fiscal 1989	Fiscal 1988
Common stock:			
Balance beginning of year	**$ 38,212**	$ 38,199	$ 38,143
Exercise of options	**7**	13	56
	$ 38,219	$ 38,212	$ 38,199
Capital surplus:			
Balance beginning of year	**$ 437,913**	$ 436,786	$ 430,561
Exercise of options and phantom share agreement	**36**	1,127	6,225
	$ 437,949	$ 437,913	$ 436,786
Cumulative translation adjustment:			
Balance beginning of year	**$ 1,946**	$ 2,694	$ (5,282)
Exchange adjustment	**7,733**	(748)	7,976
	$ 9,679	$ 1,946	$ 2,694
Retained earnings:			
Balance beginning of year	**$ 614,435**	$ 493,522	$ 387,888
Net income	**150,954**	146,698	127,582
Cash dividends	**(29,611)**	(25,785)	(21,948)
	$ 735,778	$ 614,435	$ 493,522
Treasury stock, at cost:			
Balance beginning of year	**$ (342)**	$ (358)	$ –
Purchase of Treasury stock	**(13)**	(15)	(358)
Reissuance of Treasury stock	**–**	31	–
	$ (355)	$ (342)	$ (358)

See Notes to Consolidated Financial Statements on pages 19 through 28.

CONSOLIDATED BALANCE SHEETS

The Great Atlantic & Pacific Tea Company, Inc.

(Dollars in thousands)	**February 23, 1991**	February 24, 1990
Assets		
Current assets:		
Cash and short-term investments	**$ 28,541**	$ 35,059
Accounts receivable	**201,800**	164,000
Inventories	**936,244**	836,181
Prepaid expenses and other assets	**45,760**	40,627
Total current assets	**1,212,345**	1,075,867
Property:		
Land	**89,289**	88,045
Buildings	**220,087**	212,791
Equipment and leasehold improvements	**1,928,040**	1,544,636
Total—at cost	**2,237,416**	1,845,472
Less accumulated depreciation and amortization	**(612,893)**	(507,476)
	1,624,523	1,337,996
Property leased under capital leases	**173,726**	188,187
Property—net	**1,798,249**	1,526,183
Other assets	**296,902**	229,522
	$3,307,496	$2,831,572
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	**$ 41,178**	$ 54,869
Current portion of obligations under capital leases	**20,444**	20,677
Accounts payable	**655,895**	522,640
Accrued salaries, wages and benefits	**166,288**	156,175
Accrued taxes	**56,341**	77,106
Other accruals	**155,948**	164,219
Total current liabilities	**1,096,094**	995,686
Long-term debt	**532,510**	329,286
Obligations under capital leases	**220,892**	233,564
Deferred income taxes	**152,213**	88,775
Other non-current liabilities	**84,517**	92,097
Shareholders' equity:		
Preferred stock—no par value; authorized—3,000,000 shares; issued—none		
Common stock—$1 par value; authorized—80,000,000 shares; issued 38,219,490 and 38,211,790 shares, respectively	**38,219**	38,212
Capital surplus	**437,949**	437,913
Cumulative translation adjustment	**9,679**	1,946
Retained earnings	**735,778**	614,435
Treasury stock, at cost, 8,873 and 8,606 shares, respectively	**(355)**	(342)
Total shareholders' equity	**1,221,270**	1,092,164
	$3,307,496	$2,831,572

See Notes to Consolidated Financial Statements on pages 19 through 28.

STATEMENTS OF CONSOLIDATED CASH FLOWS

The Great Atlantic & Pacific Tea Company, Inc.

(Dollars in thousands)	**Fiscal 1990**	Fiscal 1989	Fiscal 1988
▸ *Cash Flows From Operating Activities:*			
Net income	**$150,954**	$146,698	$127,582
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	**200,313**	179,676	150,691
Provision for deferred income taxes	**63,500**	31,400	30,600
(Gain) loss on disposal of owned property	**2,762**	(4,994)	(1,479)
Increase in receivables	**(35,801)**	(17,870)	(17,625)
Increase in inventories	**(66,662)**	(7,159)	(10,213)
(Increase) decrease in other current assets	**(2,558)**	2,352	(13,840)
Increase (decrease) in accounts payable	**113,295**	(9,198)	(3,710)
Increase (decrease) in accrued expenses	**(17,281)**	11,768	(536)
Decrease in other accruals	**(62,233)**	(19,350)	(11,256)
Other	**5,472**	4,554	(13,819)
Net cash provided by operating activities	**351,761**	317,877	236,395
▸ *Cash Flows From Investing Activities:*			
Expenditures for property	**(276,419)**	(218,825)	(176,148)
Proceeds from disposal of property	**3,113**	13,354	21,447
Long-term investment	–	(485,192)	–
Proceeds from long-term investment	–	338,350	–
Acquisition of business, excluding cash	**(223,961)**	–	(75,519)
Net cash used in investing activities	**(497,267)**	(352,313)	(230,220)
▸ *Cash Flows From Financing Activities:*			
Proceeds from debt	**516,420**	480,813	180,175
Payment of debt	**(327,137)**	(408,082)	(152,549)
Principal payments on capital leases	**(21,299)**	(22,037)	(22,956)
Cash dividends	**(29,611)**	(25,785)	(21,948)
Proceeds from stock options exercised	**43**	140	681
Purchase of Treasury stock	**(13)**	(15)	(358)
Net cash provided by (used in) financing activities	**138,403**	25,034	(16,955)
Effect of exchange rate changes on cash and short-term investments	**585**	(35)	832
▸ *Net Decrease in Cash and Short-term Investments*	**(6,518)**	(9,437)	(9,948)
Cash and Short-term Investments at Beginning of Year	**35,059**	44,496	54,444
▸ *Cash and Short-term Investments at End of Year*	**$ 28,541**	$ 35,059	$ 44,496

See Notes to Consolidated Financial Statements on pages 19 through 28.

Summary of Significant Accounting Policies

▸ *Fiscal Year*

The Company's fiscal year ends on the last Saturday in February. Fiscal 1990 ended February 23, 1991, fiscal 1989 ended February 24, 1990 and fiscal 1988 ended February 25, 1989, each comprising 52 weeks.

▸ *Common Stock*

The principal shareholder of the Company, Tengelmann Warenhandelsgesellschaft ("Tengelmann"), owned 53.0% of the Company's common stock as of February 23, 1991.

▸ *Principles of Consolidation*

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries.

▸ *Inventories*

Store inventories are valued principally at the lower of cost or market with cost determined under the retail method. Other inventories are valued primarily at the lower of cost or market with cost determined on a first-in, first-out basis. Inventories of certain acquired companies are valued using the last-in, first-out method, which was their practice prior to acquisition.

▸ *Properties*

Depreciation and amortization are provided on the straight-line basis over the estimated useful lives of the assets. Buildings are depreciated based on lives varying from twenty to fifty years and equipment based on lives varying from three to ten years. Equipment and real property leased under capital leases are amortized over the lives of the respective leases. Properties designated for sale are classified as current assets.

▸ *Pre-opening Costs*

Costs incurred in the opening of new stores are expensed in the year incurred.

▸ *Earnings Per Share*

Net income per share is based on the weighted average number of common shares outstanding during the fiscal year which was 38,206,000 in 1990, 38,198,000 in 1989 and 38,164,000 in 1988. Stock options outstanding had no material effect on the computation of net income per share.

▸ *Excess of Cost over Net Assets Acquired*

The excess of cost over net assets acquired is amortized on a straight-line basis over forty years.

▸ *Income Taxes*

The Company provides deferred income taxes in recognition of differences between income for financial reporting and income tax purposes. Investment tax credits are amortized over the estimated useful lives of the related assets. In December of 1987, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes" ("SFAS 96") which requires the implementation of a liability method for the financial accounting and reporting of income taxes. The Company currently expects to adopt SFAS 96 in fiscal 1992 subject to any further action by the FASB. The Company has not determined the impact of adopting the statement on its financial statements.

▸ *Compensated Absences*

The Company accrues for vested and non-vested vacation pay. Liabilities for compensated absences of $84 million and $73 million at February 23, 1991 and February 24, 1990, respectively, are included in the balance sheet caption "Accrued salaries, wages and benefits".

Acquisitions

In October 1990, the Company acquired certain assets, including inventory, of the Miracle Food Mart Division of Steinberg, Inc. ("Miracle Food Mart") for approximately C$270 million. Miracle Food Mart operates 70 retail supermarkets in the province of Ontario under the tradenames "Miracle Food Mart" and "Ultra Mart". The acquisition has been accounted for as a purchase and, accordingly, the results of operations are included in the Statements of Consolidated Operations from the date of acquisition. The excess of cost over the Company's preliminary determination of the fair market value of net assets acquired of approximately C$65 million (U.S. $56 million at acquisition date) has been included in the balance sheet caption "Other assets". Pro forma sales, had the acquisition been completed on February 26, 1989 would have been $12 billion for both fiscal years 1990 and 1989. The pro forma net income of Miracle Food Mart prior to the date of acquisition would not materially affect the net income or net income per share as reported in the accompanying Statements of Consolidated Operations. Pro forma information is not necessarily indicative of the actual results that would have occurred, or the future operations of the combined companies.

In January 1989, the Company acquired all of the outstanding shares of Borman's, Inc. ("Borman's") for approximately $78 million in cash. Borman's operated 81 retail supermarkets principally in the Metropolitan Detroit area under the tradename of Farmer Jack. The acquisition has been accounted for as a purchase, and the excess of cost over the Company's net assets acquired was approximately $42 million. Post acquisition utilization of operating loss and investment tax credit carryforwards for income tax purposes reduces the excess of cost over the Company's net assets acquired. The results of operations have been included in the consolidated results of the Company from the date of acquisition.

Investment in Isosceles

During fiscal 1989 the Company loaned approximately $436 million to Newgateway Holdings Limited ("Newgateway"), a United Kingdom Company, which was formed to purchase the outstanding common shares of the Gateway Corporation PLC ("Gateway"), the third largest food retailer in the United Kingdom. Subsequently, Newgateway sold its Gateway shares to Isosceles PLC ("Isosceles"), the owner of a controlling interest in Gateway for cash and Isosceles shares. Concurrent with this sale, Newgateway repaid its loan to the Company with cash and 19.9% of the common and cumulative preference shares of Isosceles. During fiscal 1990, Isosceles completed a recapitalization which resulted in the contribution of additional equity to Isosceles (in the form of cash and debt conversion) in the amount of at least 222 million Pounds Sterling. Each of the shareholders of Isosceles was offered the right to subscribe for additional equity on a pro rata basis at a cost of approximately 18.27 Pounds Sterling per equity unit, which is substantially less than the Company's current carrying cost per comparable equity unit. The Company believes that its current carrying value is appropriate and fairly reflects the current value of its investment in Isosceles. After giving effect to the recapitalization (in which the Company did not participate), the Company owns approximately 7.2% of the equity of Isosceles. The Company retains its right to designate one member to the Board of Directors of Isosceles. The Company uses the cost method to account for its Isosceles investment, which was $164 million at year-end exchange rates and is included in the balance sheet caption "Other assets".

Inventory

Approximately 23% of the Company's inventories are valued using the last-in, first-out method. Such inventories would have been $16 million and $11 million higher at February 23, 1991 and February 24, 1990, respectively, if the retail or first-in, first-out methods were used. The last-in, first-out charge to earnings per share for fiscal years 1990, 1989 and 1988 was $.08, $.13 and $.03, respectively.

Litigation

On March 18, 1983, a judgment was entered by the U.S. District Court in Newark, New Jersey, and on December 29, 1983 such judgment was affirmed by the Third Circuit Court of Appeals, approving the settlement of an action brought by a former executive on behalf of himself and a class of participants in the Company's Employees' Retirement Plan ("Plan") against the Company's members of its Board of Directors and of its Retirement Board. The action sought to prevent the termination of the plan and the distribution of the surplus assets to the Company. Pursuant to the settlement, the benefits to participants were increased at a cost of $50 million. On March 7, 1985, a purported class action, entitled Ruthie Epting, et al. v. The Great Atlantic & Pacific Tea Company, Inc., et al., was brought in the same U.S. District Court against the Company, members of its Board of Directors and of its Retirement Board, and the Commissioner of Internal Revenue. The plaintiffs are persons who claim to be former employees who were discharged prior to obtaining vested pension rights under the plan. The plaintiffs sought a declaratory judgment, claiming that their employment terminated under circumstances constituting a partial termination of the plan, thus entitling them to benefits under the Plan as well as other relief. Upon the Company's motion, the Court ruled that this new action should be resolved under its continuing jurisdiction in the settlement of the previous action. At the request of the Court, the Internal Revenue Service reviewed the issue of whether any partial terminations had occurred and concluded on October 6, 1988 that a partial termination had occurred over the period of 1975–1981.

On May 8, 1989, the U.S. District Court in Newark entered an order in this action reflecting a settlement reached by the Company and the representatives of the purported class. The settlement provides for payments to class members who were terminated during 1975–1981 in an amount not exceeding $6,000,000 and for payments to class members terminated prior to 1975 in an amount not exceeding $400,000; and for a further payment of $1,225,000 in attorney's fees and court costs (which fees and costs have been paid). The settlement is final, having been approved by the Court at a hearing held on November 20, 1989. The Company is administering the settlement in accordance with its terms and has made payments exceeding $3,500,000 to claimants terminated during 1975–1981.

The Company is also involved in various other claims, administrative agency proceedings and other lawsuits arising out of the normal conduct of its business. Although the ultimate outcome of the above legal proceedings cannot be predicted, the management of the Company believes that resulting liability, if any, will not have a material effect upon the Company's financial position.

Operations in Geographic Areas

The Company has been engaged in the retail food business since 1859 and currently does business under the names A&P, Super Fresh, Family Mart, Farmer Jack, Kohl's, Waldbaum's, Food Emporium, Food Mart, Food Bazaar, Sav-A-Center, Sun, Futurestore, Dominion, Compass Foods, Miracle Food Mart and Ultra Mart. Sales in the table below reflect sales to unaffiliated customers in the United States and Canada.

(Dollars in thousands)	**Fiscal 1990**	Fiscal 1989	Fiscal 1988
Sales:			
United States	**$ 9,195,995**	$ 9,197,353	$ 8,204,675
Foreign	**2,194,948**	1,950,644	1,863,101
Total	**$11,390,943**	$11,147,997	$10,067,776
Income Before Income Taxes:			
United States	**$ 200,935**	$ 194,556	$ 176,587
Foreign	**61,419**	56,242	47,195
Total	**$ 262,354**	$ 250,798	$ 223,782
Assets:			
United States	**$ 2,518,618**	$ 2,238,333	$ 2,210,213
Foreign	**788,878**	593,239	430,157
Total	**$ 3,307,496**	$ 2,831,572	$ 2,640,370

Indebtedness

Debt consists of:

(Dollars in thousands)	**February 23, 1991**	February 24, 1990
9 1/8% Notes, due January 15, 1998	**$200,000**	$ –
8 1/8% Notes, due January 15, 1994	**100,000**	–
9 1/2% Senior Notes, due in annual installments of $10,000 through October 1, 1992	**20,000**	30,000
Mortgages and Other Notes, due 1991 through 2011 (average interest rates at year end of 9.4%)	**87,597**	97,170
U.S. Bank Borrowings at 6.8% and 8.3%, respectively	**141,000**	100,000
U.K. Bank Borrowings at 15.6%	–	106,136
U.S. Commercial Paper at 8.3%	–	50,849
Canadian Commercial Paper at 10.8%	**26,367**	–
Less unamortized discount on Notes	**(1,276)**	–
	573,688	384,155
Less current portion	**(41,178)**	(54,869)
Long-term debt	**$532,510**	$329,286

In January 1991, the Company sold a total of $300 million of unsecured, non-callable public debt securities in the form of $200 million 9 1/8% Notes due 1998 and $100 million 8 1/8% Notes due 1994.

The Company has a $350 million U.S. commercial paper program and maintains available bank credit facilities sufficient to refinance any commercial paper borrowings. Such facilities include a $175 million credit agreement with banks enabling it to borrow funds on a revolving basis and U.S. lines of credit with banks in excess of $400 million. The Company's Canadian subsidiary has a C$100 million commercial paper program and maintains bank credit lines sufficient to refinance any outstanding Canadian commercial paper borrowings which were $26.4 million as of February 23, 1991.

The net book value of real estate pledged as collateral for all mortgage loans amounted to approximately $134 million as of February 23, 1991. Bank and commercial paper borrowings of $143.4 million as of February 23, 1991 and $221.8 million as of February 24, 1990 are classified as non-current as it is the Company's intent to refinance these borrowings on a long-term basis.

The Company's loan agreements contain certain financial covenants including limitations on the payment of cash dividends, the maintenance of minimum levels of working capital and limitations on the incurrence of additional indebtedness and lease commitments. At February 23, 1991 approximately $503 million of retained earnings were free of dividend restrictions.

Maturities for the next five fiscal years are: 1991–$41 million; 1992–$52 million; 1993–$142 million; 1994–$7 million; 1995–$7 million. Interest payments on indebtedness for fiscal 1990, 1989 and 1988 were approximately $49, $40 and $19 million, respectively.

At February 23, 1991, the Company had forward foreign exchange contracts ("contracts") for the sale of 83 million Pounds Sterling. These contracts, which mature during June 1991, were entered into to hedge the Company's investment in Isosceles against exchange rate fluctuations. The cost of the contracts is recognized as interest expense over the life of the respective contracts.

Lease Obligations

The Company operates primarily in leased facilities. Lease terms generally range up to twenty-five years for store leases and thirty years for other leased facilities, with options to renew for additional periods. The majority of the leases contain escalation clauses relating to real estate tax increases and certain store leases provide for increases in rentals when sales exceed specified levels. In addition, the Company leases some store equipment and trucks.

The consolidated balance sheets include the following:

(Dollars in thousands)	**February 23, 1991**	February 24, 1990
Real property leased under capital leases	**$302,573**	$304,459
Equipment leased under capital leases	**17,034**	23,627
	319,607	328,086
Accumulated amortization	**(145,881)**	(139,899)
	$173,726	$188,187

The Company entered into $5 million of new capital leases during fiscal 1990 and $3 million during both fiscal 1989 and 1988. Interest paid for capital lease obligations was approximately $28, $30 and $27 million in fiscal 1990, 1989 and 1988, respectively.

Rent expense for operating leases consists of:

(Dollars in thousands)	**Fiscal 1990**	Fiscal 1989	Fiscal 1988
Minimum rentals	**$134,222**	$117,111	$105,267
Contingent rentals	**9,726**	11,060	10,681
	$143,948	$128,171	$115,948

Minimum annual rentals for leases in effect at February 23, 1991 are shown in the table below. All amounts are exclusive of lease obligations and sublease rentals applicable to facilities for which reserves have previously been established.

(Dollars in thousands)	Capital Leases		
Fiscal	Equipment	Real Property	Operating Leases
1991	$ 4,810	$ 42,286	$ 130,343
1992	2,504	41,212	123,641
1993	1,371	39,789	117,452
1994	737	37,205	111,796
1995	16	34,232	106,042
1996 and thereafter	–	268,037	973,524
	9,438	462,761	$1,562,798
Less executory costs	–	(5,109)	
Net minimum rentals	9,438	457,652	
Less interest portion	(1,046)	(224,708)	
Present value of net minimum rentals	$ 8,392	$232,944	

Income Taxes

The provision for income taxes consists of the following:

(Dollars in thousands)	**Fiscal 1990**	Fiscal 1989	Fiscal 1988
Current:			
Federal	**$ 19,800**	$ 39,800	$30,900
Canadian	**22,100**	22,800	20,600
State and local	**6,000**	10,100	14,100
	47,900	72,700	65,600
Deferred:			
Federal	**47,800**	26,500	24,900
Canadian	**6,900**	3,500	2,900
State and local	**8,800**	1,400	2,800
	63,500	31,400	30,600
	$111,400	$104,100	$96,200

The provision for income taxes includes amortization of investment tax credits of $2 million in both fiscal 1990 and 1989 and $3 million in fiscal 1988. The Company has unamortized investment tax credits of approximately $3 million for financial statement purposes. The Company has minimum tax credit carryforwards of approximately $39 million for income tax purposes.

Income tax payments for fiscal 1990, 1989 and 1988 were approximately $56, $62 and $64 million, respectively.

The deferred income tax provision results primarily from accelerated tax depreciation, insurance, leasing, employee benefits and tax on the undistributed earnings of Canadian subsidiaries. Deferred taxes have not been provided on approximately $15 million of undistributed earnings of the Canadian subsidiaries which are considered to be permanently invested.

A reconciliation of the Federal statutory income tax rate to the Company's effective income tax rate is summarized as follows:

	Fiscal 1990	Fiscal 1989	Fiscal 1988
Federal statutory income tax rate	**34.0%**	34.0%	34.0%
State income taxes less Federal tax benefit	**3.7**	3.0	5.0
Difference between Federal statutory rate and Canadian effective rate	**3.1**	2.9	3.3
Depreciation attributable to excess cost over tax basis of certain assets	**2.5**	2.6	1.6
Amortization of investment tax credits	**(0.8)**	(1.0)	(1.3)
Other, net	**—**	—	0.4
Effective income tax rate	**42.5%**	41.5%	43.0%

The Company's Chief Executive Officer has received payments from Tengelmann in accordance with a phantom share agreement. Under the terms of this agreement, the Company recognizes these payments as deductions for Federal income tax purposes, but based upon the facts and circumstances of the agreement, such payments do not represent compensation expense for financial statement purposes. Accordingly, the reduction of taxes currently payable attributable to these payments has been recorded as a credit of $1.0 million and $5.6 million in fiscal 1989 and 1988, respectively, to the capital surplus of the Company.

Retirement Plans and Benefits

The Company provides retirement benefits to certain non-union and some union employees under several defined benefit plans. Benefits under these plans are determined based upon service time and compensation. Net pension expense for these plans consists of the following components:

(Dollars in thousands)	**Fiscal 1990**	Fiscal 1989	Fiscal 1988
Service cost	**$ 9,219**	$ 7,702	$ 5,750
Interest on projected benefit obligation	**16,955**	16,148	11,437
Actual return on plan assets	**(20,047)**	(25,048)	(13,990)
Net amortization and deferral	**(2,307)**	4,082	(398)
Net pension expense	**$ 3,820**	$ 2,884	$ 2,799

The Company's U.S. defined benefit pension plans are accounted for on a calendar year basis while the Company's Canadian defined benefit pension plans are accounted for on a fiscal year basis. The funding for these plans is based on an evaluation of the assets and liabilities of each plan. The majority of plan assets is invested in listed stocks and bonds. A reconciliation of the funded status of these plans is as follows:

	1990		1989	
(Dollars in thousands)	**Assets Exceed Accumulated Benefits**	**Accumulated Benefits Exceed Assets**	Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Assets
Actuarial present value of:				
Vested benefit obligation	**$126,582**	**$101,390**	$148,521	$ 14,743
Accumulated benefit obligation	**$131,587**	**$102,858**	$154,863	$ 15,018
Projected benefit obligation	**$144,544**	**$104,029**	$174,855	$ 16,047
Plan marketable securities at fair value	**174,909**	**85,232**	192,912	4,089
Excess (deficiency) of plan assets versus projected benefit obligation	**30,365**	**(18,797)**	18,057	(11,958)
Unrecognized net (gain) loss	**4,269**	**(1,353)**	7,732	196
Prior service cost not yet recognized in net pension expense	**(5,227)**	**6,702**	2,390	(212)
Unrecognized net transitional obligation (asset)	**(17,535)**	**3,182**	(17,011)	1,964
Additional minimum liability	**—**	**(9,217)**	—	(1,674)
Pension asset (liability)	**$ 11,872**	**$(19,483)**	$ 11,168	$(11,684)

Actuarial assumptions used to determine net pension expense and year-end plan status were as follows:

	1990	1989
Discount rate	**8%–9.25%**	8%–9.25%
Expected rate of return on assets	**9%–9.25%**	9.25%–10%
Rate of increase in future compensation levels	**5%–6%**	5%–6%

The Company sponsors a defined contribution Retirement Savings Plan under which an eligible participant may contribute up to 16% of eligible salary, subject to certain statutory limitations. The Company contributes 4% of such salary, plus 50% of the participant's initial 6% contribution. Participants become fully vested in the Company's contribution after 5 years of service. The Company's contributions charged to operations were approximately $8 million in fiscal 1990 and $7 million in both fiscal 1989 and 1988.

In addition to the Company's Retirement Savings Plan, the Company also maintains a defined contribution plan for employees not covered by the Retirement Savings Plan. Participants contribute to this plan based on a percentage of eligible salary, and the Company contributes to the plan based on specified percentages of the participants' eligible contributions. Contributions charged to operations in fiscal 1990, 1989 and 1988 for this plan were not significant.

The Company participates in various multi-employer union pension plans which are administered jointly by management and union representatives and which sponsor most full-time and certain part-time union employees who are not covered by the Company's other pension plans. The pension expense for these plans approximated $41, $40 and $33 million in fiscal 1990, 1989 and 1988, respectively. The Company could, under certain circumstances, be liable for unfunded vested benefits or other expenses of jointly administered union/management plans.

In addition to providing pension benefits, the Company provides contributory health and life benefits to approximately 800 employees who have elected early retirement. The costs of retiree benefits, which are not significant, are recognized as expense as claims are reported.

The Financial Accounting Standards Board issued Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," in December 1990. The statement will require the accrual of postretirement benefits, principally medical and life insurance provided to qualifying retired employees, during the years an employee provides service to the Company. The current annual expense for these benefits is not material. The Company plans to adopt the statement by fiscal 1993. The impact of adoption is not expected to have a material effect on the Company's consolidated financial statements.

Stock Options

The Company has a 1975 and 1984 Stock Option Plan for its officers and key employees. As of February 23, 1985 all available options under the 1975 Stock Option Plan had been granted, of which 10,200 shares remain unexercised. The 1984 Stock Option Plan, which provides for the granting of 1,500,000 shares, has been amended as of July 10, 1990 to increase by 1,500,000 the number of options available for grant as either options or Stock Appreciation Rights ("SAR's"). Each option is available for grant at the fair value of the Company's common stock on the date the option is granted. SAR's allow the optionee, in lieu of purchasing stock, to receive cash in an amount equal to the excess of the fair market value of common stock on the date of exercise over the option price. Compensation expense relating to SAR's of $7, $6 and $8 million was recorded during the fiscal years 1990, 1989 and 1988, respectively.

A summary of option transactions is as follows:

	Shares	Price Range Per Share
Outstanding February 25, 1989	1,022,600	$ 5.50-$46.38
Granted	180,000	59.00- 65.13
Cancelled or expired	(10,250)	21.50- 46.38
Options exercised	(13,000)	5.50- 15.75
SAR's exercised	(111,300)	11.44- 46.38
Outstanding February 24, 1990	1,068,050	$ 5.50-$65.13
Granted	506,000	39.75- 56.13
Cancelled or expired	(4,750)	21.50- 46.38
Options exercised	(7,700)	5.75
SAR's exercised	(236,650)	11.44- 46.38
Outstanding February 23, 1991	1,324,950	$ 5.50-$65.13
Exercisable at:		
February 24, 1990	677,800	$ 5.50-$65.13
February 23, 1991	760,200	$ 5.50-$65.13

Summary of Quarterly Results

(unaudited)

The table below summarizes the Company's results of operations by quarter for fiscal 1990 and 1989. The first quarter of each fiscal year contains sixteen weeks while the other quarters each contain twelve weeks. In the fourth quarter of 1990, the Company recorded one time purchasing benefits achieved during the integration of Miracle Food Mart which resulted in an increase in the gross margin rate during the quarter of approximately .7%.

(Dollars in thousands, except per share figures)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
1990					
Sales	**$3,402,690**	**$2,604,294**	**$2,610,968**	**$2,772,991**	**$11,390,943**
Gross margin	**937,841**	**716,333**	**726,401**	**772,996**	**3,153,571**
Income from operations	**106,692**	**77,882**	**74,312**	**75,969**	**334,855**
Net income	**51,007**	**36,316**	**32,050**	**31,581**	**150,954**
Per share data:					
Net income	**1.33**	**.95**	**.84**	**.83**	**3.95**
Cash dividends	**.175**	**.20**	**.20**	**.20**	**.775**
Market price:					
High	**59.50**	**57.75**	**51.625**	**52.625**	
Low	**48.75**	**50.00**	**38.250**	**39.625**	
Number of stores at end of period	**1,218**	**1,211**	**1,282**	**1,275**	
1989					
Sales	$3,439,591	$2,590,149	$2,550,533	$2,567,724	$11,147,997
Gross margin	897,733	686,009	674,834	678,158	2,936,734
Income from operations	95,250	72,542	66,369	73,952	308,113
Net income	45,390	35,630	31,169	34,509	146,698
Per share data:					
Net income	1.19	.93	.82	.90	3.84
Cash dividends	.15	.175	.175	.175	.675
Market price:					
High	61.50	65.125	64.625	65.125	
Low	47.50	54.875	56.500	50.125	
Number of stores at end of period	1,231	1,228	1,227	1,215	

MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

The management of The Great Atlantic & Pacific Tea Company, Inc. has prepared the consolidated financial statements and related financial data contained in this Annual Report. The financial statements were prepared in accordance with generally accepted accounting principles appropriate to our business and, by necessity and circumstance, include some amounts which were determined using management's best judgments and estimates with appropriate consideration to materiality. Management is responsible for the integrity and objectivity of the financial statements and other financial data included in this report. To meet this responsibility, management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that accounting records are reliable. Management supports a program of internal audits and internal accounting control reviews to provide assurance that the system is operating effectively.

The Board of Directors pursues its responsibility for reported financial information through its Audit Review Committee. The Audit Review Committee meets periodically and, when appropriate, separately with management, internal auditors and the independent auditors, Deloitte & Touche, to review each of their respective activities.

James Wood

JAMES WOOD
Chairman of the Board, President
and Chief Executive Officer

Fred Corrado

FRED CORRADO
Executive Vice President,
Chief Financial Officer and Treasurer

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of The Great Atlantic & Pacific Tea Company, Inc.:

We have audited the accompanying consolidated balance sheets of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies as of February 23, 1991 and February 24, 1990 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended February 23, 1991. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Great Atlantic & Pacific Tea Company, Inc. and its subsidiary companies at February 23, 1991 and February 24, 1990 and the results of their operations and their cash flows for each of the three fiscal years in the period ended February 23, 1991 in conformity with generally accepted accounting principles.

Deloitte & Touche

Parsippany, New Jersey
April 26, 1991

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA

The Great Atlantic & Pacific Tea Company, Inc.

(Dollars in thousands, except per share figures)	**Fiscal 1990 (52 weeks)**	Fiscal 1989 (52 weeks)	Fiscal 1988 (52 weeks)	Fiscal 1987 (52 weeks)	Fiscal 1986 (53 weeks)
▸ *Operating Results*					
Sales	**$11,390,943**	$11,147,997	$10,067,776	$ 9,531,780	$ 7,834,859
Income before extraordinary credits	**150,954**	146,698	127,582	103,443	69,010
Net income	**150,954**	146,698	127,582	103,443	95,010
▸ *Per Share Data*					
Income before extraordinary credits	**3.95**	3.84	3.34	2.71	1.82
Net income	**3.95**	3.84	3.34	2.71	2.50
Cash dividends	**.775**	.675	.575	.475	.40
▸ *Financial Position*					
Current assets	**1,212,345**	1,075,867	1,068,746	945,663	898,854
Current liabilities	**1,096,094**	995,686	978,109	882,953	805,436
Working capital	**116,251**	80,181	90,637	62,710	93,418
Current ratio	**1.11**	1.08	1.09	1.07	1.12
Total assets	**3,307,496**	2,831,572	2,640,370	2,243,174	2,080,226
Long-term debt	**532,510**	329,286	254,312	168,255	196,209
Capital lease obligations	**220,892**	233,564	252,618	225,695	223,933
▸ *Equity*					
Shareholders' equity	**1,221,270**	1,092,164	970,843	851,310	755,718
Book value per share	**31.96**	28.59	25.42	22.32	19.85
Weighted average shares outstanding	**38,206,000**	38,198,000	38,164,000	38,106,000	38,017,000
Number of shareholders	**14,210**	15,045	16,079	19,228	20,717
▸ *Other*					
Number of employees	**99,300**	91,000	92,000	83,000	81,500
Number of stores at year end	**1,275**	1,215	1,241	1,183	1,200
Total store area (square feet)	**39,353,000**	36,369,000	36,407,000	33,111,000	32,609,000

CORPORATE OFFICERS

James Wood
Chairman of the Board, President and Chief Executive Officer

James W. Rowe
Vice Chairman of the Board and Executive Committee

Fred Corrado
Executive Vice President, Chief Financial Officer and Treasurer

Michael J. Larkin
Executive Vice President, Operations

Peter J. O'Gorman
Executive Vice President, Development

George Graham
Senior Vice President, Chief Merchandising Officer

James L. Madden
Senior Vice President, Operations

Ivan K. Szathmary
Senior Vice President, Chief Services Officer

Robert G. Ulrich
Senior Vice President, General Counsel

Ernest H. Berthold
Vice President, Assistant to the C.E.O.

Peter R. Brooker
Vice President, Planning and Corporate Secretary

Stephen T. Brown
Vice President, Labor Relations

Timothy J. Courtney
Vice President, Taxation

R. Paul Gallant
President, Compass Foods

Gerald L. Good
Vice President, Chief Administrative Officer

Kenneth W. Green
Vice President, Produce Merchandising and Procurement

Clifford J. Horler
Vice President, Engineering and Construction

Robert A. Keenan
Vice President, Chief Internal Auditor

Peter R. Lavoy
Vice President, Corporate Merchandising

Francis X. Leonard
Vice President, Real Estate Administration

H. Nelson Lewis
Vice President, Human Resources

R. Donald O'Leary
Vice President, Marketing

Mary Ellen Offer
Assistant Corporate Secretary

Peter E. Rolandelli
Vice President, Management Information Systems

Michael J. Rourke
Vice President, Communications and Corporate Affairs

Richard J. Scola
Vice President, Assistant General Counsel

William F. Stewart
President, Southern Operations

J. Paul Stillwell
President, Supermarket Service Corp.

Craig C. Sturken
Chairman, A&P Tea Co., Ltd. Canada

William J. Tennant
Vice President, Controller

Burton J. Weinbaum
President, A&P Northeast

William T. Wolverton
Vice President, Warehousing and Transportation

A&P Canada

John P. Dunne
President, A&P/Dominion

Earl W. Near
President, Miracle Food Mart

Borman's, Inc.

Paul Borman
Chairman

Robert W. Toomey
Vice President, Michigan Group

Kohl's Food Stores

Larry Zettle
President

Waldbaum, Inc.

Stanley Lang
President

Kenneth Abrahams
President, Food Mart Division

DIRECTORS

James Wood (c)(d)(e)
Chairman of the Board, President and Chief Executive Officer

Rosemarie Baumeister (b)
Executive Vice President, Tengelmann Warenhandelsgesellschaft, Germany

Fred Corrado (d)(e)
Executive Vice President, Chief Financial Officer and Treasurer

Christopher F. Edley (a)(b)(c)(e)
President, Emeritus and Senior Consultant to the United Negro College Fund, Inc.

Helga Haub (c)(d)

Barbara Barnes Hauptfuhrer (a)(c)(d)(e)
Director of various corporations

Paul C. Nagel, Jr. (a)(c)(d)
Director of various corporations

James W. Rowe (c)(d)(e)
Vice Chairman of the Board and Executive Committee

Eckart C. Siess (c)(e)

Fritz Teelen (d)
President, Plus subsidiary Tengelmann Warenhandelsgesellschaft, Germany

Henry W. Van Baalen (b)
Business Consultant

(a) Member of Audit Review Committee, Paul C. Nagel, Jr., Chairman
(b) Member of Compensation Policy Committee, Henry W. Van Baalen, Chairman
(c) Member of Executive Committee James Wood, Chairman
(d) Member of Finance Committee Paul C. Nagel, Jr., Chairman
(e) Member of Retirement Benefits Committee, Barbara Barnes Hauptfuhrer, Chairman

▸ *Executive Offices*

Box 418
2 Paragon Drive
Montvale, NJ 07645
Telephone 201-573-9700

▸ *Transfer Agent and Registrar*

American Stock Transfer and Trust Company
40 Wall Street
New York, NY 10005
Telephone 212-936-5100

▸ *Independent Auditors*

Deloitte & Touche
Two Hilton Court
Parsippany, New Jersey 07054

▸ *Shareholder Inquiries, Publications and Address Changes*

Shareholders, security analysts, members of the media and others interested in further information about the Company are invited to contact the Corporate Affairs Department at the Executive Offices in Montvale, New Jersey.

Correspondence concerning address changes should be directed to:
American Stock Transfer and Trust Company
40 Wall Street, New York, NY 10005
Telephone 212-936-5100

▸ *Form 10-K*

Copies of Form 10-K filed with the Securities and Exchange Commission will be provided to shareholders upon written request to the Secretary at the Executive Offices in Montvale, New Jersey.

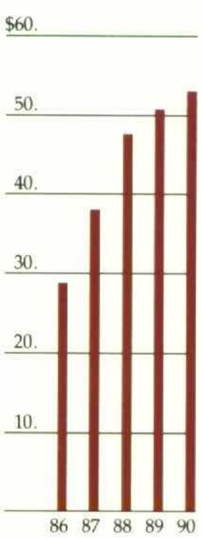
▸ *Annual Meeting*

The Annual meeting of Shareholders will be held at 10:00 a.m. on Tuesday, July 9, 1991 at the Woodcliff Lake Hilton Hotel, Woodcliff Lake, New Jersey. Shareholders are cordially invited to attend.

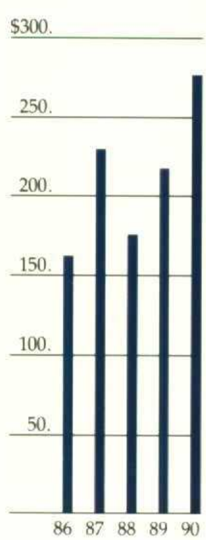
▸ *Common Stock*

Common stock of the Company is listed and traded on the New York Exchange under the ticker symbol "GAP" and has unlisted trading privileges on the Boston, Midwest, Philadelphia, Cincinnati, and Pacific Stock Exchanges. The stock is reported in newspaper and periodical tables as "GtAtPc."

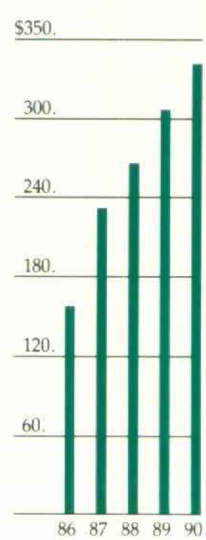
Market Price per Share at Fiscal Year End
In Dollars



Capital Expenditures
Millions of Dollars



Income from Operations
Millions of Dollars



Book Value per Share
In Dollars